

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KATHERINE L. SHERRARD)	
)	
COMPLAINANT)	
)	
v.)	CASE NO. 93-422
)	
GTE SOUTH INCORPORATED)	
)	
DEFENDANT)	

ORDER TO SATISFY OR ANSWER

GTE South Incorporated ("GTE South") is hereby notified that it has been named as defendant in a formal complaint filed on November 8, 1993, a copy of which is attached hereto as Appendix A.

Pursuant to 807 KAR 5:001, Section 12, GTE South is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within 10 days from the date of service of this Order. GTE South's response shall reference any tariffs supporting its action and shall describe its compliance with the Commission's Order attached hereto as Appendix B.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

Done at Frankfort, Kentucky, this 9th day of December, 1993.

PUBLIC SERVICE COMMISSION

Sam L. D. Pender
Chairman

Robert M. Davis
Vice Chairman

Linda K. Breunlich
Commissioner

ATTEST:

Don Mills
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC
SERVICE COMMISSION IN CASE NO. 93-422 DATED December
COMMONWEALTH OF KENTUCKY

RECEIVED

NOV 08 1993

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

KATHERINE L. SHERRARD
(Your Full Name)
COMPLAINANT

VS.

GTE SOUTH
(Name of Utility)
DEFENDANT

93-422

C O M P L A I N T

The complaint of KATHERINE L. SHERRARD respectfully shows:
(Your Full Name)

(a) KATHERINE L. SHERRARD RE: TELEPHONE
(Your Full Name) 502-745-7437

524 N. MULBERRY ST.
ELIZABETHTOWN, KY. 42701
(Your Address)

(b) GTE SOUTH
(Name of Utility)

2001 HARRODSBURG RD.
LEXINGTON KY. 40503
(Address of Utility)

(c) That: Complainant received a form letter from GTE postmarked 10-21-93
(Describe here, attaching additional sheets if

which stated in part complainant was the only party now on a two party
necessary, the specific act, fully and clearly, or facts

line; that said telephone service rate would increase to \$20.00 monthly
that are the reason and basis for the complaint.)

effective 11-10-93. Taxes and other charges will bring this to nearly

Continued on Next Page

Formal Complaint

KATHERINE L. SHERRARD vs GTE SOUTH
(Your Name) (Utility Name)

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\$30.00 monthly. (Current service is \$12.50 plus fees, therefore the
increase amounts to 60%.) The complainant, a senior citizen, perhaps
averaging 8 to 10 local calls per month, trying to maintain a household
on an income of approximately \$400. per month cannot afford and does
not desire this "improvement of service". Without party lines or the
measured service option, there is no viable option for low income customers
to maintain their telephone service. The GTE Ombudsman, notified of complaint
on 10-26-93 promised a review and response. None received as of 11-5-93.
Wherefore, complainant asks That GTE agree to restore 2-party service
(Specifically state the
until such time as an alternate low cost basic phone service such as measured
relief desired.)
service is offered in this area. It is noted that Brandenburg Telephone in
Radcliff (10 miles distance) offers private line service for about \$6.00 and
South Central Bell offers its low use customers measured service.

Dated at ELIZABETHTOWN, Kentucky, this 5TH day
(Your City)

of NOVEMBER, 1993.
(Month)

Katherine L Sherrard
(Your Signature)

(Name and address of attorney, if any)

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC
SERVICE COMMISSION IN CASE NO. 93-422 DATED December 9, 1993

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF CONTEL OF)	
KENTUCKY, INC.'S PROVISION OF)	CASE NO. 90-167
TELEPHONE SERVICE AND SERVICE)	
QUALITY)	

O R D E R

BACKGROUND

This case was established by Commission order dated June 22, 1990 to investigate numerous complaints from customers of Contel of Kentucky, Inc. ("Contel") including county and other public officials. The majority of the complaints addressed the inability of some rural customers to obtain one-party service in lieu of four-party service and the imposition of monthly mileage charges of \$1.25 per 1/4 mile for one-party service beyond base rate areas. We have heretofore expressed our concerns about the complaints and recognize that upgrading Contel's system would not likely be accomplished without cost.

On July 6, 1990, we ordered Contel to notify each of its customers via first class mail or bill insert of the investigation, inviting their participation and intervention in the proceeding.

The Attorney General of the Commonwealth of Kentucky, by and through his Utility and Rate Intervention Division, as well as residential patrons Lena Creech and Doris Bush, and Harlan County

Judge/Executive Delzinna Belcher are full intervenors and participated in the hearing in this case. In addition, several other Contel subscribers requested and were granted full intervention and numerous others requested and were granted limited intervention. While the overwhelming majority of these subscribers filed comments complaining about their four-party telephone service, some Contel subscribers filed letters indicating that their current four-party service was satisfactory.

By order dated October 11, 1990, a procedural schedule was established setting filing dates for data requests, responses and prefiled testimony, as well as setting a hearing for December 5, 1990.

DISCUSSION

Contel is a local exchange telephone company offering service in 42 exchanges in Kentucky. In 1985, Contel began a one-party upgrading program which included the elimination of mileage charges. It selected exchanges based on growth requirements, maintenance costs, service levels and the opportunity for operating expense reductions.¹ As of the end of 1990, 26 exchanges had been upgraded, with an additional exchange upgrade scheduled for completion in the first quarter of 1991.² However, 7,971 access lines, or 11.09 percent of Contel's total access

¹ Darden Direct Testimony and Exhibits filed November 30, 1990.

² Ibid., page 3.

lines, remained on four-party service in late 1990, and mileage charges were billed to 3,664 one-party access lines beyond the base rate area.³

Contel claimed that additional conversions should be implemented based on Contel's financial abilities and ongoing business planning.⁴ Contel admitted it was not committed to providing 100 percent one-party capability in all exchanges, but that it would phase in one-party conversion consistent with future planned upgrades if financial considerations were not prohibitive and customer demand favorable.⁵ Contel argued that if the Commission found an expedited conversion to be in the public interest, cost recovery should be made through a rate additive.⁶

The genesis of this proceeding was numerous complaints received by the Commission from Contel subscribers, primarily in 7 exchanges referred to as the Bee Springs Complex. In general, the complaints focused on high telephone bills due to mileage charges and difficulties in gaining access to the network because of bottlenecks on four-party lines. Contel submitted proof that four-party service does not inherently preclude subscribers from emergency 911 services, nor does it cause service problems such as line noise or inadvertent disconnection. Other proof indicated

³ Ibid., pages 3 and 4.

⁴ Duyen Le Direct Testimony filed November 30, 1990, page 4.

⁵ Wayne Bowen Direct Testimony filed November 30, 1990, page 5.

⁶ Duyen Le Direct Testimony filed November 30, 1990, page 4.

that advantages would accrue to subscribers if the modernization took place, including improvements in transmission quality, the elimination of operator intervention on long-distance calls, and the possibility of using answering machines and cordless telephone sets.

Contel's proof indicated that the estimated costs of modernization of the 14 exchanges in question would be approximately \$34.5 million. However, engineering studies have not been prepared to accurately project upgrading cost. The preliminary estimates include the change out from analog equipment to digital and the replacement of existing cable with fiber optics. According to Contel, this estimated cost results in an increase in basic local service rates of \$6 per subscriber per month to be spread over the entire Contel subscriber base. The cost to modernize the 7 exchanges in the Bee Springs Complex was estimated by Contel to be approximately \$21 million. These cost estimates are based on "broad gauge," or historical cost, estimation techniques. The Commission is not convinced that these costs would actually materialize.

Contel asserted that it could not complete modernization of the 14 exchanges in less than 3 years. The Bee Springs Complex modernization could be completed in 12-18 months.

It is apparent that Contel had no plans through 1993 to modernize any of the exchanges in question except the Clarkson exchange. Plans to modernize the Bee Springs Complex had previously been put on hold; however, because of this proceeding, Contel decided to survey subscribers in the Bee Springs Complex

regarding their desire for 100 percent one-party capability. Based upon the assumption that 51 percent of the subscribers surveyed would opt for such service, Contel planned to begin modernization in the latter part of 1991.

The Commission has considered the numerous problems associated with the provision of four-party service, eight-party service, and mileage charges in Contel's service area. The Commission finds that it is unreasonable for Contel to continue the provision of four- and eight-party service. In addition, because Contel's tariff requires that mileage charges be imposed on one-party service offered outside of the base rate area, the Commission believes that these mileage charges are also unreasonable.

The Commission is concerned that all of the citizens of Kentucky are not able to receive state-of-the-art telecommunications service, particularly in an era of emerging technologies and a plethora of services now available in other areas of the Commonwealth. We are not willing to accept a telecommunications infrastructure in this state which is unable to provide its citizens with the highest level of telephone service possible. The provision of quality telephone service is not possible without investment in up-to-date facilities and equipment.

Contel should upgrade all four- and eight-party service and eliminate mileage charges by no later than July 1, 1994. The Commission is aware of the construction and investment required to upgrade Contel's system, and finds that such construction is

needed and in the public interest. Contel should file whatever applications it deems necessary for rates to recover the costs of upgrading service and eliminating mileage charges.

By separate Orders, the Commission will initiate investigations into the elimination of all four- and eight-party service in Kentucky for all local exchange telephone companies currently providing such service.

IT IS THEREFORE ORDERED that:

1. Within 90 days of the date of this Order, Contel shall file detailed construction plans and specifications to modernize the 14 exchanges discussed in this Order to eliminate four- and eight-party service as well as mileage charges.

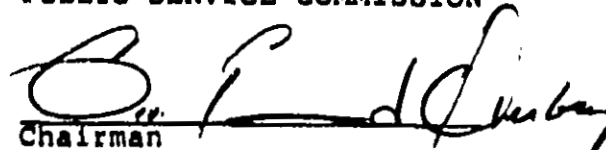
2. Subsequent to the beginning of construction, Contel shall file quarterly construction progress reports.

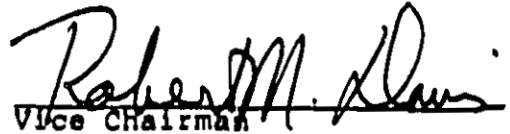
3. The construction ordered herein shall be completed no later than July 1, 1994. By July 1, 1994, there shall be no four- or eight-party service or mileage charges in Contel's service area.

4. Contel shall file any applications concerning rates that it deems necessary to enable it to accomplish the construction ordered herein in the time frame specified.

Done at Frankfort, Kentucky, this 1st day of April, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director